



REVIEW OF THE TERMS AND CONDITIONS OF CERTAIN RESIDENTIAL MORTGAGE LOANS

July 22, 2008

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Executive Summary

Scope and Objectives

At the request of Perkins Coie LLP (“Perkins Coie”), CrossCheck Compliance LLC (“CrossCheck”) conducted an independent professional review of the terms and conditions of certain residential mortgage loans obtained by Senator Christopher J. Dodd and Jackie Clegg Dodd to determine whether the interest rates and fees charged on the loans under review were in line with normal lending practices and consistent with the rates and charges offered by lenders at the time the loans were originated. Our review specifically included:

- An assessment of the mortgage lending market for the period of May through July 2003, with a particular focus on rates, fees (including "discount fees"), and services.
- Detailed evaluation of the original underwriting loan files to determine the qualifications of the borrowers and adherence to general underwriting standards.
- Collection and research of market rates, fees, and service offerings from media publications and mortgage lenders during the time period under review.
- Historical perspective of the mortgage lending environment from professional industry experience and review of publications and studies from the time period in which the loans were originated.

Background

This review focused on two loans made to Senator Christopher J. Dodd and Jackie Clegg Dodd (“Borrowers”). The issue under review is whether the rates and fees granted to the Borrowers demonstrate any special treatment (i.e., rates and fees that were not available to similar borrowers). The two loans reviewed were refinance transactions with loan amounts of \$506,000 and \$275,042 that closed in June and July of 2003, respectively.

The \$506,000 loan, which closed on June 10, 2003, was a cash-out refinance of a Washington, DC townhouse with a loan-to-value ratio of 64%. The note granted on this loan was a 30-year adjustable with the first five years at a fixed rate of 4.25%. The HUD statement for this transaction revealed settlement charges (excluding prepaid interest and taxes) paid of \$2,286.30 (0.45% of the loan amount). The \$275,042 loan, which closed on July 3, 2003, was a streamline refinance of a single family residence located in East Haddam, Connecticut, with a loan-to-value ratio of 55%. The note granted on this loan was a 30-year adjustable note with the first ten years at a fixed rate of 4.5%. The HUD statement for this transaction revealed settlement charges paid of \$2,020.25 (0.73% of the loan amount).

Conclusion

As outlined in more detail in the attached report, based on the market data we analyzed, we find that the terms and conditions that the Borrowers received for the two loans were consistent with those that any borrower, who possessed similar credit, income, asset, and equity positions, would have received during the highly active refinance market that existed during the first half of 2003.

1. The Borrowers were highly qualified in every aspect of mortgage lending.

In our review of the loan files, we found the Borrowers to be extremely well qualified. Specifically, the Borrowers' credit scores were "Excellent" and asset reserves were more than adequate to meet underwriting guidelines. Additionally, the Borrowers were existing customers of Countrywide Home Loans, Inc. ("Lender") with perfect payment history, coupled with virtually no debt and stable employment history. With these credentials, the Borrowers qualified for the most competitive rate available in the market. In addition, with such credentials and given the extremely competitive market at the time, it was common in the industry to not charge origination fees and "discount" points to attract and retain good customers.

2. The interest rates paid by the Borrowers were available to the general public.

The 2003 mortgage market, during the time in which the two loans were originated, featured interest rates near 45-year lows, with rates bottoming in June 2003. This environment of low interest rates resulted in unprecedented levels of refinance activity, which stimulated fierce competition regarding all areas of mortgage lending.

CrossCheck reviewed mortgage interest rates published by numerous lenders during the relevant time period. This market data shows that lenders were offering jumbo 5/1 ARMs and conforming 10/1 ARMs at interest rates consistent with the rates the Borrowers received on the two loans. For example, during the week ending May 24th when a rate of 4.25% was locked in for the Washington, DC property, published rates for this loan product ranged from 4.0% to 4.875% without any discount points required to obtain these rates. During the week of the closing of this loan, rates were below 4.0% without discount points—at least .25% less than the rate obtained by the Borrowers. As another example, through June 2003, interest rates on 10/1 ARMs ranged from 4.125% to 5.125%. After a comprehensive review of advertised rates, government interest rate surveys, published articles, and loan file documents for the period May through July 2003, we have concluded that the interest rates that the Borrowers received were available to the general public without paying any "discount points" to buy down the rate, and therefore there is no evidence of the Borrowers receiving below market pricing as a result of special treatment.

3. The fees and charges paid by the Borrowers were higher than the national average.

We considered additional market data concerning mortgage loan fees, including monthly press releases from the Federal Housing Finance Board, which stated that the average amount of initial fees and charges paid by borrowers for residential mortgage loans for May, June, July of 2003 were .35%, .37% and .33% of the loan amount, respectively.

These averages are based on monthly surveys of major mortgage lenders. The Borrowers' initial fees and charges (0.45% for the Washington, DC loan, and 0.73% for the Connecticut home) were in excess of these national averages. This further supports our conclusion that the Borrowers did not receive below market fees on their loans.

Report Detail

CrossCheck Compliance Background and Qualifications

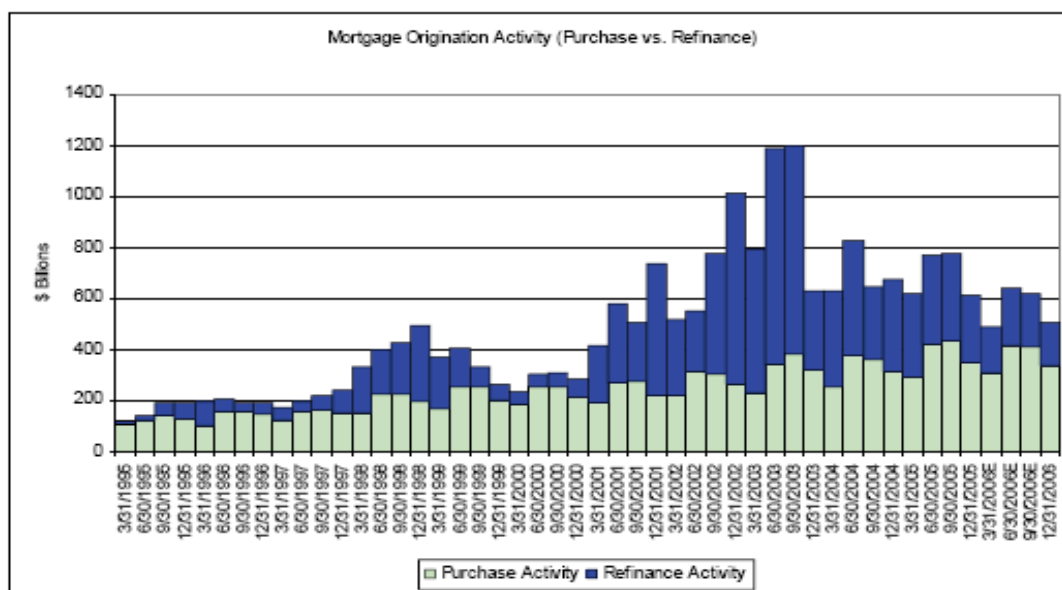
CrossCheck Compliance, headquartered in Chicago's financial district, is a professional services firm providing due diligence and regulatory compliance services to the banking and mortgage industry. Our executive team has over 75 years of combined financial services, mortgage lending and risk management experience. CrossCheck's standards and methodologies surpass the typical mortgage loan due diligence protocol. CrossCheck employees are proven senior level professionals, who have developed their expertise from their years of experience in building and maintaining billions of dollars in first and second mortgage portfolios.

Our comprehensive due diligence approach and experienced professionals make CrossCheck a trusted name in mortgage-related forensic investigations. We provide expert assistance to litigation support practices through operational risk assessment, loan-level credit risk analysis, expert testimony, and loan-level investigation, including review of due diligence previously performed as it may relate to areas such as a portfolio purchase, securitization, and fair lending.

Mortgage Lending Market in 2003

The housing market in 2003 was a booming, record-breaking year in home sales, ownership, and prices. Low interest rates contributed significantly to the thriving housing market that moved home prices and sales levels significantly higher. With mortgage interest rates in the first half of 2003 near 45-year lows, mortgage refinancing increased by an astounding 71 percent from \$1.4 trillion in 2002 to \$2.4 trillion in 2003. This was truly remarkable as refinance activity was very robust in 2002.

With interest rates steadily declining during the first half of 2003, refinancing continued to be very attractive, even for homeowners that may have just refinanced during the prior year. Refinancing was even occurring with homeowners that were reducing their interest rate by as little as a half to one percentage point. This was due to the highly competitive mortgage lending industry, where closing fees and points were being driven significantly lower.



Source: Mortgage Bankers Association

As the result of the highly active refinance market, lenders were aggressively working with their existing customers by offering mortgage rate resets with significantly reduced closing costs to defend against losing their customers to the competition. During these times, it made sense for borrowers to stay with their existing mortgage lender since the volume of paperwork and associated costs with the existing lender would be less than switching to a new lender.

On the other hand, the competing lenders were aggressively marketing to attract new customers with “no closing cost”, “zero points” and no “float down fee” offers. In the *State of the Nation's Housing* by the Joint Center for Housing Studies of Harvard University (published in 2004 and reporting on the 2003 housing market), it stated “mortgage lenders battle to attract customers during refinance booms. While homeowners once had to figure out for themselves when it was advantageous to refinance, some lenders now alert to the opportunity and encourage them to do so – at a lower cost. This competition has spurred additional refinance activity.”

In 2003, adjustable interest rate loan products, with extended fixed rate periods, such as the 5-year and 10-year ARMs (adjustable rate mortgages), became increasingly popular mortgage products. With the interest rates spread between ARMs and 30-year fixed rate mortgages unusually high, ARMs were the refinancing loan option of choice. During 2003, interest rates were as low as 3.5% on 5/1 jumbo ARMs, and 4.125% on 10/1 conforming ARMS.

Detailed Evaluation of the Borrowers' Loan Files

We examined Countrywide Home Loans, Inc. ("Lender") loan files #32947075 ("Washington, DC loan") and #32947091 ("Connecticut loan") made to the Borrowers. Our findings included:

- The Borrowers were highly qualified in every aspect of mortgage lending;
- The originating, processing, and underwriting of the files was consistent with generally accepted standards;
- The Borrowers being highly qualified and existing customers of the Lender made the Borrowers eligible for industry accepted "flexibility" and market-best terms and conditions in order to retain them as customers;
- The initial fees and charges were in line with, and in some cases slightly higher than, national averages from the time period.

Mortgage lending background - Mortgage underwriting is used to determine the overall risk associated with the borrower under the terms considered for the loan transaction. A mortgage underwriter analyzes three areas when assessing a loan file. These three areas are the borrower's willingness to repay, capacity to repay, and the collateral. An underwriter will determine the borrower's willingness to repay the debt by examining the borrower's credit worthiness. This would consist of reviewing the borrower's credit report and score (typically on a scale of 350 to 850) as well as a 12- to 24-month review of the borrower's housing payment history.

An underwriter will determine the borrower's capacity to repay the debt by examining the borrower's monthly income (calculating ratios when compared to monthly obligations), reserves, and employment stability. Finally, the underwriter will review the value of the collateral by examining one of many valuation methods (from automated tools to full appraisal reports) as determined by the lending guidelines. The loan amount is divided by the collateral's current market value to determine a loan-to-value percentage. Typically, loans with a loan-to-value ratio under 80% are considered low risk. Once the risk is assessed in these three areas, the underwriter can recommend a decision for the mortgage application.

After the mortgage application is approved, the lender decides what interest rate and fees to charge the borrower. Rates and fees can fluctuate dramatically from one borrower to the next depending on the overall risk associated with the loan. A borrower may be required to pay "points," which represent a form of prepaid interest at closing equal to a percentage of the loan amount. For example, if a borrower paid one point on a \$200,000 loan, the charge would be \$2,000. Typically, a lender will use "points" to lower the interest rate offered to the borrower. Borrowers with low risk associated with their files are normally offered the lowest rates and fees available from the lender, and borrowers with higher risk profiles will be offered higher rates and fees.

Borrower qualifications – The excellent credit profile, high liquid reserve amount, and low equity position make both loans very low risk.

A joint credit report was pulled for Christopher Dodd and Jackie Clegg Dodd on April 17, 2003 and was utilized in both loan files reviewed. This report revealed credit scores of 768 for the borrower (Christopher Dodd) and 821 for the co-borrower (Jackie Clegg Dodd). These credit scores are considered "Excellent" by industry standards.

The housing history documented by internal lender verifications (as the Borrowers were existing customers) and the credit report do not indicate any late payments on the Borrowers' existing mortgage accounts. The credit report also reveals the lack of any substantial amount of consumer debt by the Borrowers, which further elevates credit worthiness.

The Borrowers' debt-to-income ratios were within the Lender's and generally accepted guidelines and demonstrate strong capacity to repay the loan. The housing debt-to income ratio, which is the percentage of the Borrowers' monthly income required to pay the mortgage obligation was 16.35%; and the total obligation ratio, which is the percentage of the Borrowers' monthly income required to pay all monthly liabilities including the new mortgage, was 39.54%. These ratios were calculated using only the primary borrower's verified income. The co-borrower's income was not needed on the Washington, DC loan because primary borrower's verified income alone resulted in a conservative debt-to-income ratio that was more than sufficient for qualifying. Similarly, the Lender's underwriting guidelines did not require either borrower to provide income documentation on the Connecticut loan to qualify for the program.

The loan-to-value ratios were 63.89% and 55%/65% (65% represents the combined loan-to-value when factoring in the \$50,000 subordinate HELOC loan that closed simultaneously with the Connecticut loan). The loan-to-value ratios were supported by a full appraisal on Washington, DC loan and an automated valuation tool (as accepted by Lender's guidelines) on the Connecticut loan. These ratios demonstrate a strong equity position by the Borrowers in both properties.

The underwriting documents in file concerning the Washington, DC loan indicate a reserve amount of \$35,836.29 was used to qualify the Borrowers. Bank documents provided by the Borrowers verify two month average liquid reserves of \$72,962, more than double the qualifying amount needed. The borrower's strong stability was supported by 24 years in the current position.

File processing and underwriting – There were no underwriting exceptions noted in the file by the Lender or during our review. The documentation required and gathered for both files was consistent with the loan program being utilized.

The Washington, DC loan was a cash-out refinance transaction that required full documentation surrounding income and reserves as well as a full appraisal. The Borrowers provided income documentation, bank statements, and the appraisal fee of \$485.00.

The Connecticut loan was a streamline refinance transaction with a HELOC subordinate lien of \$50,000. It is a commonly accepted industry practice to not require income or reserve documentation for a streamline refinance transaction. Furthermore, automated valuation tools are accepted on these transactions as the Lender is the current lien holder and cash out is not allowed. The documentation found in the Connecticut loan file was in line with a streamline refinance. With approximately 48 days to close the Connecticut loan and 70 days to close the Washington, DC loan, it is reasonable to conclude (without access to internal lender system comments) that normal processing timelines were followed.

Term and conditions received – The Washington, DC loan was closed on a 30-year note with the first five years at a fixed rate of 4.25%. The Connecticut loan was closed on a 30-year note with the first ten years at a fixed rate of 4.50%. The Borrowers were not required to pay discount points or float down fees on either transaction.

Many factors are considered when a lender determines an interest rate and points or fees to charge a borrower, such as credit score, loan-to-value ratio, debt-to-income ratio, loan program, loan amount, and borrower retention. We conclude that several factors exist that would prompt the lender to provide the most competitive rates and points and fees (including "zero points" and no "float down" fees) available at the time. First, the Borrowers were existing, perfect-paying customers of the Lender, placing the Borrowers in a position to negotiate the best terms or simply take their business elsewhere. Second, the Borrowers' excellent credit profile, liquid reserves, low debt ratio, and strong equity positions (loan-to-values of only 63.89% and 55%) only enhance bargaining power. Third, average rates and points are for average borrowers. The Borrowers were well above average in their willingness to repay (credit), capacity to repay (debt ratio and reserves), and equity positions. This profile would demand the best market rates and points during any time period, especially to an existing borrower at these loan amounts.

In addition, national interest rates were dropping weekly from the time of application to the closing date. This would prompt the Lender to provide the best possible loan terms to retain the Borrowers. (See Initial fees and charges, below).

Initial fees and charges – We conclude that the fees and charges on both loans are consistent with what any consumer with similar credit quality, reserve amounts, and equity positions could have received during the time period.

The review of both HUD settlement statements revealed that the Borrowers paid settlement charges of \$4,209.99 for the Washington, DC loan and \$2,800.18 for the Connecticut loan. In order to compare these figures to published national averages during the time period, we deducted the amounts paid for prepaid interest charges, property taxes, and insurance. Therefore, the initial fees and charges paid by the Borrowers were \$2,286.30 (0.45% of the loan) for Washington, DC loan and \$2,020.25 (0.73% of the loan) for the Connecticut loan. Published reports by the Federal Housing Finance Board during 2003 confirm that national averages for initial fees and charges were 0.35%, 0.33%, and 0.37% for May, June, and July respectively. In other words, the fees and charges paid by the Borrowers were higher than the national average.

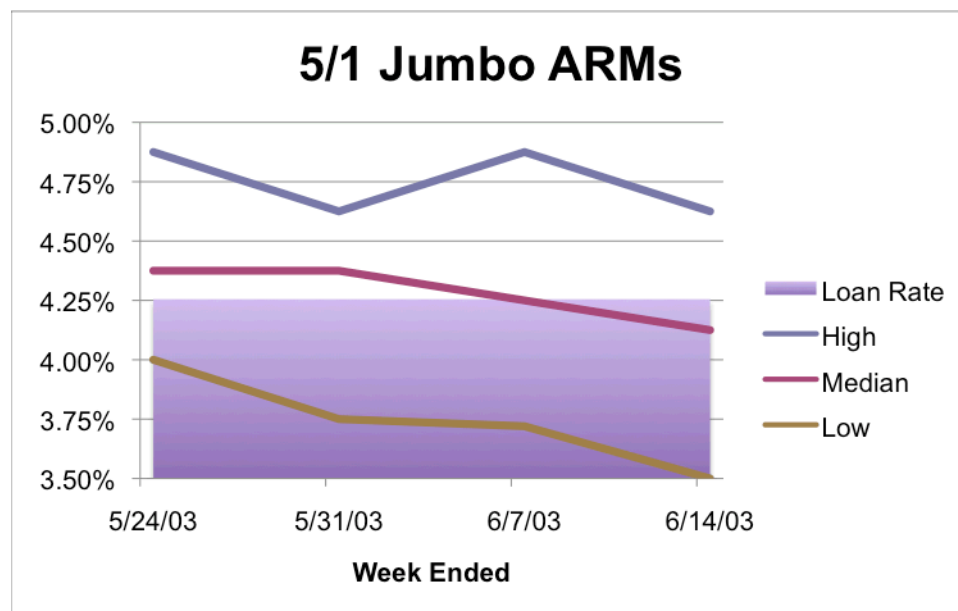
Our review of the files disclosed no rate lock or float down fees charged by the Lender. This is consistent with the mortgage market at the time, in which lenders would offer very attractive terms to existing, high-quality borrowers in order to avoid having them refinance with other lenders.

Analysis and Comparison of Rates and Fees from Mortgage Lenders

We obtained market mortgage loan rates from variety of sources, including financial publishers, mortgage lender rate sheets, and rates published in newspapers. We compared this data with the terms obtained by the Borrowers. The rates we reviewed were for the same products (5/1 Jumbo ARMs and 10/1 ARMs) as the subject loans and required no points. In fact, the overwhelming majority of published loan rates indicated no points were required. Furthermore, the published market rates allowed for significantly higher loan-to-value ratios than those of the subject loans.

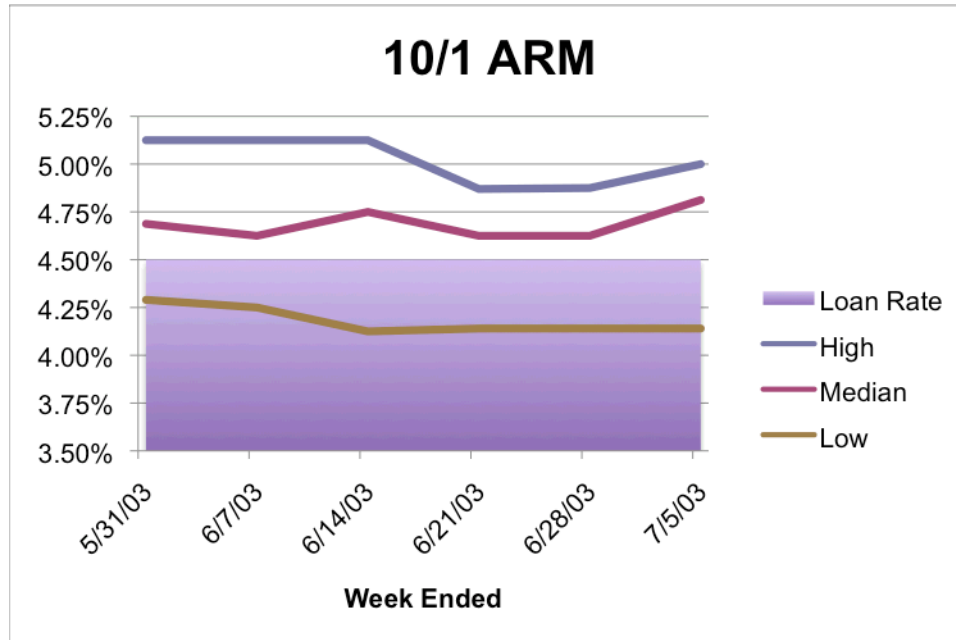
Interest Rates

We found that the range of market rates bracketed the subject loans, indicating that the subject loans were originated at rates consistent with the market.



The chart above shows the range and average of available interest rates for 5/1 Jumbo ARMs and the interest rate on the Washington, DC loan. This loan was rate-locked on 5/22/2003 and closed on 6/10/2003. We noted that rates lower than that of the Washington, DC loan were available in the market, and that rates were steadily falling during the period from application to rate lock to funding.

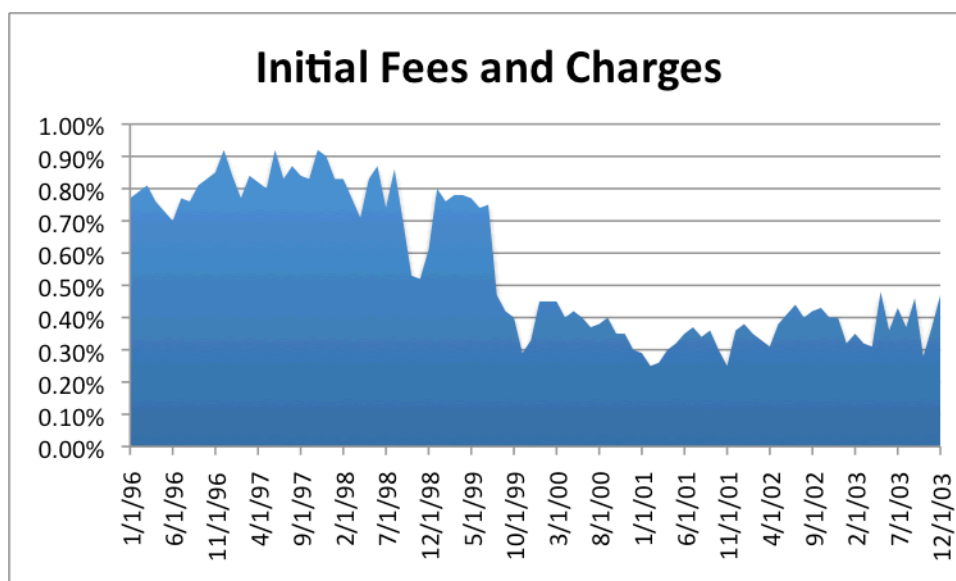
The chart below shows the range and average of available interest rates for 10/1 ARMs and the interest rate on the Connecticut loan, which closed on 7/3/2003. We again noted that rates lower than that of the loan reviewed were available in the market.



We believe that given the Borrowers' excellent qualifications, they would have been able to obtain an equal or lower rate from other lenders.

Initial Fees and Charges

National averages for initial fees and charges (which does not include points) had fallen significantly in the 1999-2000 period, and remained low through 2003 (see chart below). As previously noted, the Borrowers paid initial fees and charges in excess of national averages.



Source: Federal Housing Finance Board

Review of Published Reports and Studies

The following are excerpts from published reports and studies that support conclusions made in this report:

Boston Globe, July 6, 2003, Thomas Grillo – Globe Correspondent, “Options to Buy – In a Fiercely Competitive Market With Low Interest Rates, Borrowers Need Not Be Locked In By 30-Year Mortgages”

“Christopher Tejeda, who bought a four bedroom Colonial in Acton last year for \$771,000, thought he was getting an unbeatable mortgage rate when he locked in at 5.875 percent on a 30-year fixed-rate loan. But as rates kept falling, the 39-year old commodities trader switched in the spring to a so called hybrid mortgage – a 5/1 adjustable rate mortgage, or ARM, at 4.25 percent. The loan rate stays the same for five years, after which it can climb as high as 9.25 percent.”

The Washington Post, May 23, 2003, Sandra Fleishman – Washington Post Staff Writer, “*Rush to Refinance – Homeowners Flock to Lenders as Rates Drop*”

“Mortgage rate set yet another new low this week, the seventh record this year and the second week running. And Americans are responding, taking out loans to buy and refinance homes at a furious pace.”

“Gaming for the lowest rate seems to be particularly attractive to refinancers, who accounted for 76% of mortgage applications last week, according to the Mortgage Bankers Association.”

“Some lenders are responding to competition by offering no-fee float downs to current customers in order to keep them.”

USA Today – March 21, 2003 – “Take the Trick Out of Refinancing; Do Your Homework First to Avoid Mumbo Jumbo”

“The big industry players who write rules on who gets a mortgage and under what terms cut a lot of slack to lenders who want to retain customers by quickly swapping one mortgage for another at better terms. The Federal Housing Administration, the Veterans Administration, Fannie Mae, and Freddie Mac all have rules that streamline procedures for a lender dealing with an existing customer.

For the borrower, it can mean cheaper, quicker refinancing than would be the case if the customer went to a new lender to refinance. Lind (Matt Lind, a mortgage industry consultant at the Stratmor Group) says originating a mortgage under streamlined refinance rules can be thousands of dollars cheaper for the lender. Just how much of the savings gets passed along to the borrower varies by lender, he says.”

USA Today – May 9, 2003 – “Many Select Hybrid Mortgage; Despite Tempting Fixed Rates, Some Gamble on Lower Offerings”

“Noting the popularity of 5/1 hybrids, Fannie Mae, the giant mortgage investor, has announced a change that could fuel their popularity even more. Starting this month, Vice President Denise Grant says, Fannie Mae is standardizing terms for the 5/1 hybrid mortgages that it pools for bond investors.

Fannie Mae’s action effectively opens wider the spigot of money from the bond market available to fund 5/1 mortgages, industry experts say. As a result, lenders are likely to push a little harder to promote 5/1 loans to borrowers, and borrower might benefit from slightly cheaper initial interest rates.”

The Joint Center for Housing Studies of Harvard University – 2004, *The State of the Nation’s Housing*

“With interest rates near 45-year lows, homes sales and mortgage refinances reach new heights in 2003. Existing single family home sales climbed 9.6 percent and new single family home sales rose 11.5%, while mortgage refinances shot up by an astounding 71 percent.”

“These mortgage giants compete fiercely and harvest massive amounts of information to find new ways to improve their operations. Using low-cost marketing and outreach techniques, mortgage lenders battle to attract customers during refinance booms. While homeowners once had to figure out for themselves when it was advantageous to refinance, some lenders now alert them to the opportunity and encourage them to do so – at lower cost- with lender affiliates. This competition has spurred additional refinance activity.”

“Initial fee mortgage fees and charges as a percent of loan value dropped from a high of 2.6 percent in 1982 to a low of about 0.4 percent in 2003. As a result, rather than a full percentage point or more, it now takes only 50 basis-point dip in mortgage rates to trigger a wave of refinancing activity.”

Federal Housing Finance Board – Monthly Press Release – July 25, 2003, *Federal Housing Finance Board Reports Continued Lower Mortgage Interest Rates*

“The average contract rate on adjustable-rate mortgage (ARMs) decreased 28 basis points to 4.65 percent. In initial fees and charges were 0.33 percent of the loan balance in June, down from 0.35 percent in May. Sixty-five percent of the purchase-money mortgage loans originated in June were “no points” mortgages, unchanged from May.”

Appendix I: Comparison of Rates and Points by Lender

5/1 Jumbo ARM

Lender	Source	Week Ended	Rate
Advantage 1St Mortgage	Washington Post	5/23/03	4.000%
American Lending Group	Chicago Tribune	5/23/03	4.375%
American Mortgage & Fin	Washington Post	5/23/03	4.000%
Anderson Home Mortgage	Washington Post	5/23/03	4.000%
Anderson Scott Mortgage	Washington Post	5/23/03	4.250%
B F Saul Mortgage Company	HSH Associates	5/23/03	4.500%
Bank Of America Mortgage	HSH Associates	5/23/03	4.625%
Carteret Mortgage	Washington Post	5/23/03	4.250%
Chase Manhattan Mortgage	HSH Associates	5/23/03	4.375%
Cmc	Washington Post	5/23/03	4.250%
Cornerstone Home Loans	Chicago Tribune	5/23/03	4.375%
Countrywide Home Loans	Chicago Tribune	5/23/03	4.375%
Diversey Mortgage Inc	Chicago Tribune	5/23/03	4.750%
Diversified Financial	Washington Post	5/23/03	4.250%
Eagle Home Loans	Chicago Tribune	5/23/03	4.500%
Equity Mortgage Corp	Chicago Tribune	5/23/03	4.750%
First Dearborn Mortgage	Chicago Tribune	5/23/03	4.375%
First Horizon Home Loans	HSH Associates	5/23/03	4.375%
First Illinois Mortgage	Chicago Tribune	5/23/03	4.625%
First Meridian Mortgage	Washington Post	5/23/03	4.875%
First Savings Mortgage	HSH Associates	5/23/03	4.625%
Jumbo Home Loans	Chicago Tribune	5/23/03	4.500%
Lakeview Financial Group	Chicago Tribune	5/23/03	4.625%
Long Grove Mortgage Bancorp	Chicago Tribune	5/23/03	4.500%
Mortgage Bancorp Services	Chicago Tribune	5/23/03	4.625%
Progressive Mortgage	Washington Post	5/23/03	4.125%
Renaissance Mortgage	Chicago Tribune	5/23/03	4.625%
Riggs Bank, N.A.	HSH Associates	5/23/03	4.375%
Suntrust Mortgage	HSH Associates	5/23/03	4.375%
Wachovia Mortgage Corp	HSH Associates	5/23/03	4.500%
Washington Mutual Mortgage	HSH Associates	5/23/03	4.625%
Wells Fargo Private Mortgage	Chicago Tribune	5/23/03	4.375%
A Advantage 1St Mortgage	Washington Post	5/30/03	3.875%
Aimloan.Com	Los Angeles Times	5/30/03	4.625%
B F Saul Mortgage Company	HSH Associates	5/30/03	4.375%
Bank Of America Mortgage	HSH Associates	5/30/03	4.625%
Better Mortgage	Los Angeles Times	5/30/03	4.375%
Buckingham Mortgage Corp.	Los Angeles Times	5/30/03	4.125%
Carteret Mortgage	Washington Post	5/30/03	3.750%
Chase Home Finance	Los Angeles Times	5/30/03	4.375%
Diversified Financial	Washington Post	5/30/03	4.250%
First Horizon Home Loans	HSH Associates	5/30/03	4.375%
First Savings Mortgage	HSH Associates	5/30/03	4.375%

Riggs Bank, N.A.	HSH Associates	5/30/03	4.125%
Superior Mortgage	Los Angeles Times	5/30/03	4.250%
Wachovia Mortgage Corp	HSH Associates	5/30/03	4.500%
Washington Mutual Mortgage	HSH Associates	5/30/03	4.625%
A Advantage 1St Mortgage	Washington Post	6/6/03	3.875%
American Lending Group	Chicago Tribune	6/6/03	4.250%
American Home Mortgage	HSH Associates	6/6/03	4.500%
American Mortgage & Fin	Washington Post	6/6/03	3.750%
Andersen Home Mortgage	Washington Post	6/6/03	3.875%
B F Saul Mortgage Company	HSH Associates	6/6/03	4.250%
Bank Of America Mortgage	HSH Associates	6/6/03	4.375%
Cartaret Mortgage	Washington Post	6/6/03	3.750%
Chase Manhattan Mortgage	HSH Associates	6/6/03	4.250%
Cmc	Washington Post	6/6/03	4.250%
Cornerstone Home Loans	Chicago Tribune	6/6/03	4.250%
Countrywide Home Loans, Inc	HSH Associates	6/6/03	4.500%
Diversey Mortgage Inc	Chicago Tribune	6/6/03	4.250%
Diversified Financial	Washington Post	6/6/03	3.875%
Eagle Home Loans	Chicago Tribune	6/6/03	4.250%
Equity Mortgage Corp	Chicago Tribune	6/6/03	4.375%
First Dearborn Mortgage	Chicago Tribune	6/6/03	4.375%
First Illinois Mortgage	Chicago Tribune	6/6/03	4.500%
First Meridian Mortgage	Washington Post	6/6/03	4.875%
First Savings Mortgage	HSH Associates	6/6/03	4.375%
Franklin Financial Group	Chicago Tribune	6/6/03	4.125%
Jumbo Home Loans	Chicago Tribune	6/6/03	4.250%
Lakeview Financial Group	Chicago Tribune	6/6/03	4.625%
Long Grove Mortgage Bancorp	Chicago Tribune	6/6/03	4.500%
Mortgage Bancorp Services	Chicago Tribune	6/6/03	4.625%
Mortgage Capital	Washington Post	6/6/03	3.875%
Mortgage Select	Washington Post	6/6/03	3.720%
Renaissance Mortgage	Chicago Tribune	6/6/03	4.375%
Riggs Bank, N.A.	HSH Associates	6/6/03	4.125%
Suntrust Mortgage	HSH Associates	6/6/03	4.375%
Wachovia Mortgage Corp	HSH Associates	6/6/03	4.500%
Washington Mutual Mortgage	HSH Associates	6/6/03	4.750%
A Advantage 1St Mortgage	Washington Post	6/13/03	3.750%
American Home Mortgage	HSH Associates	6/13/03	4.125%
American Home Mortgage	New York Times	6/13/03	3.720%
American Home Mortgage	Washington Post	6/13/03	3.750%
American Mortgage & Fin	Washington Post	6/13/03	3.750%
Andersen Home Mortgage	Washington Post	6/13/03	3.750%
B F Saul Mortgage Company	HSH Associates	6/13/03	4.250%
Bank Of America Mortgage	HSH Associates	6/13/03	4.125%
Cartaret Mortgage	Washington Post	6/13/03	3.500%
Chase Manhattan Mortgage	HSH Associates	6/13/03	4.000%
Cornerstone Home Loans	Chicago Tribune	6/13/03	4.500%
Diversey Mortgage Inc	Chicago Tribune	6/13/03	4.375%
Diversified Financial	Washington Post	6/13/03	3.875%
Eagle Home Loans	Chicago Tribune	6/13/03	4.250%
Equity Mortgage Corp	Chicago Tribune	6/13/03	4.250%
First Dearborn Mortgage	Chicago Tribune	6/13/03	4.375%

First Horizon Home Loans	HSH Associates	6/13/03	4.125%
First Illinois Mortgage	Chicago Tribune	6/13/03	4.500%
First Meridian Mortgage	Washington Post	6/13/03	4.625%
First Savings Mortgage	HSH Associates	6/13/03	4.125%
Jumbo Home Loans	Chicago Tribune	6/13/03	4.250%
Lakeview Financial Group	Chicago Tribune	6/13/03	4.625%
Mortgage Bancorp Services	Chicago Tribune	6/13/03	4.625%
Mortgage Select	Washington Post	6/13/03	3.720%
Renaissance Mortgage	Chicago Tribune	6/13/03	4.125%
Riggs Bank, N.A.	HSH Associates	6/13/03	3.875%
Suntrust Mortgage	HSH Associates	6/13/03	4.125%
Universal Savings Bank	Chicago Tribune	6/13/03	3.875%
Wachovia Mortgage Corp	HSH Associates	6/13/03	4.250%
Washington Mutual Mortgage	HSH Associates	6/13/03	4.375%
Median			4.375%

10/1 ARM

Lender	Source	Week Ended	Rate
123 Mortgage Services	Washington Post	5/30/03	4.750%
A Best Rate Mortgage	Washington Post	5/30/03	4.625%
Allfund.Com	Washington Post	5/30/03	4.500%
American Home Mortgage	New York Times	5/30/03	4.290%
American Home Mortgage	Washington Post	5/30/03	4.625%
Askin Pro Mortgage	Washington Post	5/30/03	4.625%
B F Saul Mortgage Company	HSH Associates	5/30/03	4.875%
Chevy Chase Federal Savings	HSH Associates	5/30/03	4.875%
Countrywide Home Loans, Inc	HSH Associates	5/30/03	5.000%
Gmac Mortgage Corp	HSH Associates	5/30/03	5.125%
123 Mortgage Services	Washington Post	6/6/03	4.625%
A Best Rate Mortgage	Washington Post	6/6/03	4.250%
Aallfund.Com	Washington Post	6/6/03	4.375%
American Home Mortgage	New York Times	6/6/03	4.290%
American Homeowners Mortgage	Washington Post	6/6/03	4.625%
Askin Pro Mortgage	Washington Post	6/6/03	4.625%
B F Saul Mortgage Company	HSH Associates	6/6/03	4.875%
Chase Manhattan Mortgage	HSH Associates	6/6/03	4.875%
Chevy Chase Federal Savings	HSH Associates	6/6/03	4.875%
Countrywide Home Loan	Chicago Tribune	6/6/03	4.625%
Countrywide Home Loans, Inc	HSH Associates	6/6/03	5.125%
Gmac Mortgage Corp	HSH Associates	6/6/03	4.875%
Great Northern Financial	Chicago Tribune	6/6/03	4.875%
Mortgage Select	Washington Post	6/6/03	4.290%
Aallfund.Com	Washington Post	6/13/03	4.250%
American Home Mortgage	New York Times	6/13/03	4.290%
B F Saul Mortgage Company	HSH Associates	6/13/03	4.750%
Chase Manhattan Mortgage	HSH Associates	6/13/03	4.875%
Chevy Chase Federal Savings	HSH Associates	6/13/03	4.750%
Countrywide Home Loans, Inc	HSH Associates	6/13/03	5.125%
Gmac Mortgage Corp	HSH Associates	6/13/03	5.125%
Great Northern Financial	Chicago Tribune	6/13/03	4.875%
Mortgage Select	Washington Post	6/13/03	4.290%
Nationwide Mortgage Services	Washington Post	6/13/03	4.125%
A Best Rate Mortgage	Washington Post	6/20/03	4.625%
Aallfund.Com	Washington Post	6/20/03	4.750%
American Home Mortgage	New York Times	6/20/03	4.140%
Askin Pro Mortgage	Washington Post	6/20/03	4.870%
Mortgage Select	Washington Post	6/20/03	4.290%
Mortgage Select	Washington Post	6/27/03	4.140%
Smith Mortgage Group	Detroit Free Press	6/27/03	4.625%
Standard Home Mortgage	Detroit Free Press	6/27/03	4.875%
123 Mortgage Services	Washington Post	7/4/03	4.875%
Aimloans.Com	Los Angeles Times	7/4/03	4.875%
Discount Mortgage	New York Times	7/4/03	4.600%

Mortgage Capital Associates	Los Angeles Times	7/4/03	4.750%
Mortgage Select	Washington Post	7/4/03	4.140%
Standard Home Mortgage	Detroit Free Press	7/4/03	5.000%
Median			4.688%

Appendix II: CrossCheck Loan Review Summary

Loan Information:

Account Number	32947075
Loan Amount	\$506,000.00

Transaction Details:

Application Date	4/23/03
Lock-In Date	5/22/03
Closing Date	6/10/03
Product Type	5/1 ARM - 30 year
Property Type	Townhome
Occupancy Type	Primary Residence
Loan Purpose	Refinance
Purpose of Refinance	Cash Out
Initial Interest Rate	4.250
Margin	2.250
Lifetime Floor	2.250
Lifetime Ceiling	9.250
APR	3.873
Origination Fee (801)	0.00
Loan Discount (802)	0.00
Settlement Charges	\$4,209.99

Borrowers:

Christopher J. Dodd
Jackie M. Clegg

Property Information:

8 Seventh Street, NE
Washington DC 20002

Underwriting Ratios:

Borrower Score	768
Co-borrower Score	821
Appraised Value	\$792,000.00
Original LTV	63.89%
Original CLTV	63.89%
Monthly Income	\$12,891.66
Housing Ratio	22.25%
Total Debt Ratio	41.80%
Assets/Reserves	\$72,962.50

The Borrowers' credit scores of 768 and 821 demonstrate the ability and willingness to repay their mortgage obligations. The Borrowers' housing/total debt ratios of 22/41 and 25 months PITI reserves verified demonstrate the capacity needed to repay this note. Furthermore, the absence of any substantial consumer debt and the lowering of the Borrowers total monthly obligations by this transaction reaffirm the capacity quality of the file. Borrowers are current customers of the refinancing lender however do not qualify for a streamline refinance due to the cash out taken on this transaction. The lenders internal documents as well as the Borrowers' credit bureau show that their mortgage payment history was 0x30 over the lifetime of the refinanced mortgage. The value of the collateral used for qualifying is supported by the appraisal report. There were no underwriting exceptions noted in the file by the lender or flagged by this analyst. The high credit score, low loan to value ratio (63.89%), reserves/assets verified (\$76,962), and overall stability of the Borrowers make this file a very low risk transaction.

Loan Information:

Account Number	32947091
Loan Amount	\$275,042.00

Transaction Details:

Application Date	4/23/03
Lock-In Date	7/2/03
Closing Date	7/3/03
Product Type	10/1 ARM-30 year
Property Type	Single Family
Occupancy Type	Primary Residence
Loan Purpose	Refinance
Purpose of Refinance	Rate and Term
Initial Interest Rate	4.50
Margin	2.25
Lifetime Floor	2.25
Lifetime Ceiling	9.50
APR	4.225
Origination Fee (801)	0.00
Loan Discount (802)	0.00
Settlement Charges	\$2,800.18

Borrowers:

Christopher J. Dodd
Jackie M. Clegg

Property Information:

53 Main Street
East Haddam, CT 06422

Underwriting Ratios:

Borrower Score	768
Co-borrower Score	821
Appraised Value	\$500,000.00
Original LTV	55%
Original CLTV	65.00%
Monthly Income	\$32,000.00
Housing Ratio	6.58%
Total Debt Ratio	15.93%
Assets/Reserves	\$72,962.50

The application date of this file is the same as loan number #32947075, however this loan file was processed as a streamline refinance (no cash out permitted). Some documentation requirements are waived for this type of refinance, which explains the absence of income and asset verifications in the file. The transaction also included the Borrowers receiving a \$50,000 home equity line of credit. This file was underwritten as a primary residence, as was #32947075. CrossCheck agrees with the lender's decision to underwrite both files in this manner due to the nature of the borrower's employment (not uncommon to retain two households for the borrower's profession). The lender used \$32,000.00 of monthly income to calculate the ratios on this file as income documentation was not required. CrossCheck disagrees with the use of the total income figure on the Connecticut loan, thus lowering the debt-to-income ratios, as income documentation was obtained for the processing of the Washington, DC loan (#32947075) and should have been used in both files. However, this would have not impacted the loan decision as using the "validated" income figure would put the ratios at 16.35%/39.54% and still within prudent underwriting guidelines. The excellent credit scores, low loan to value ratios (55%/65%), and assets/reserves verified make this file a very low risk transaction.

Appendix III: Professional Profiles

MICHAEL M. FORESTER

Mike Forester is managing director of CrossCheck Compliance, a regulatory compliance and due diligence firm serving financial institutions. He has spent nearly 30 years in the mortgage and financial services industries.

Prior to co-founding CrossCheck, he was associated with The Prieston Group. Mr. Forester participated in the launch of this startup company, providing financial and technology leadership to take the firm from startup to consistent profitability. He coordinated design and construction of databases housing all insured loan and claim information, resulting in the industry's most robust mortgage fraud database. Mr. Forester's mortgage fraud studies and data analyses have covered:

- mortgage fraud by product
- fraud by document type
- identification of geographic hot spots
- development of mortgage fraud scoring systems

Prior to joining The Prieston Group, Mr. Forester spent 16 years with Household International (now HSBC). During his career with Household, he served in a variety of positions, including national sales director of Household's correspondent mortgage business and chief financial officer of Household's consumer finance business, Household Finance. Mr. Forester managed correspondent mortgage acquisitions for Household, growing volume from \$15 million per month in early 1996 to \$350 million per month. From this foundation, Household Mortgage Services (later HSBC Mortgage Services) became the premier nonprime mortgage investor. During this period, Mr. Forester made significant contributions in product design and pricing. He also structured and managed a joint venture with a money center bank to purchase and securitize subprime mortgage loans, growing the joint venture to \$250 million in mortgage receivables. Mr. Forester participated in due diligence for Household's \$8.6 billion acquisition of Beneficial Corporation.

While serving as chief financial officer of Household's \$10 billion (assets) consumer finance business, Mr. Forester directed all accounting and finance functions including treasury operations and strategic planning. Balance sheet management strategies included securitization of mortgage loans. During his tenure, Mr. Forester led the overhaul of all accounting systems, which included installation of the PeopleSoft general ledger system.

Mr. Forester began his professional career with the public accounting firm of Ernst & Young. As a senior auditor he was responsible for planning and direction of audit field work. His clients were in a variety of industries, primarily banks and savings institutions. He is a certified public accountant.

Mr. Forester is a graduate of the University of Notre Dame and has an MBA degree from the University of Chicago.

Mr. Forester has served on the board and executive committee of the National Home Equity Mortgage Association, and on the Nonconforming Credit Committee of the Mortgage Bankers Association of America. He is currently active with the Illinois Mortgage Bankers Association, the Chicagoland Compliance Association, and the Anti-Money Laundering Association.

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TODD KRELL

Todd Krell is Director – Financial Services Practice at CrossCheck Compliance.

Mr. Krell has over 15 years of experience in mortgage lending with an emphasis on quality due diligence services, including underwriting, compliance, client relations, fraud detection, quality control, and collateral review.

Before joining CrossCheck, Mr. Krell worked at Heartland Wholesale Funding and HSBC (which acquired Household International in 2003). As Vice President of Underwriting and Quality Control at Heartland Wholesale Funding, Todd designed and implemented all underwriting and quality control procedures including the construction of a jumbo portfolio loan product. Todd's heavy emphasis on quality control, fraud detection, and collateral review led to a secondary market sales percentage of over 96% and a fraud rate of less than 1% of loans funded.

Mr. Krell spent his seven years at Household/HSBC performing onsite due diligences in the acquisitions department of Mortgage Services. As a regional manager, Todd oversaw the monthly completion of 40-50 onsite due diligences which consisted of a full credit, compliance, fraud, and collateral review. He contributed to a monthly purchased volume increase of over \$800 million. As his region grew from \$200 million to over \$1 billion in monthly volume, Todd directed his staff to decreasing quality control and compliance error rates as well as increasing fraud and inflated collateral detection results. While at Household/HSBC Todd's accomplishments include Region of the Year for 2005, District Manager of the Year for 2004, and the Profitable Growth Star Award for the 4th quarter of 2002.

Todd graduated in 1991 with a bachelor's degree in accounting from Illinois State University.

JAMES A. JORGENSEN

Mr. Jorgensen is a thirty-year auditing and risk management executive and a proven entrepreneur. As President of CrossCheck Compliance, he founded the firm to provide regulatory compliance and due diligence services to the banking and mortgage industry with a strong emphasis with providing clients with experienced professionals and high quality service. Prior to CrossCheck Compliance, Jim was senior executive at Jefferson Wells (formerly AuditForce), a firm he co-founded in 1995 in Milwaukee, Wisconsin.

Jefferson Wells is a professional services firm providing business solutions and process improvement to its clients in the areas of internal audit, accounting, tax, and technology risk management with 45% of its client base servicing the financial services market. Under Jim's leadership, Jefferson Wells was recognized as one of the fastest growing private companies in the mid to late 1990's growing to 25 offices with 1,600 employees and achieving annual sales of \$131 million. During the year 2000, Manpower Inc. purchased Jefferson Wells to fulfill Manpower's strategy of expand their market offerings.

Jim has held leadership roles for over thirty years in the risk management, internal audit and accounting profession. He was directly responsible for providing internal audit, compliance and accounting services to some of the largest financial services organization in the industry. His experience includes being the director of internal audit for Tenneco Automotive and Packaging Corporation of America and the information technology audit director for Tenneco Inc.'s worldwide operations. Jim is a Certified Public Accounting, a Certified Internal Auditor and a Certified Information Systems Auditor. He graduated in 1977 with a bachelor's degree in Accounting from St. Norbert College and received his MBA in 1987 from the University of Houston.

He is very active with professional associations providing excellent articles for their publications, participating on committees and speaking at conferences. He was recently published in the Institute of Internal Auditors *Internal Auditor* February 2008 issue in an article about the mortgage subprime crisis titled, "Crash, Burn, and Learn". He is a member of the Illinois Mortgage Bankers Association, Illinois Association of Mortgage Professionals, Institute of Internal Auditors, American Institute of Certified Public Accountants, Chicagoland Compliance Association and the Information Systems Audit and Control Association.